CC-98-202

DOCKET FILE COPY ORIGINAL

RECEIVED

JAN - 7 2004

Federal Communications Commission
Office of the Secretary

News media information 202 / 418-0500
TTY 202 / 418-2555
Fax-On-Demand 202 / 418-2830
Internet: http://www.fcc.gov
ftp.fcc.gov

Federal Communications Commission
445 12th Street, S.W.
Washington, D. C. 20554

FOR IMMEDIATE RELEASE:
December 22, 2003

NEWS MEDIA CONTACT:
Michael Balmoris 202-418-0253
Email: michael.balmoris@fcc.gov

FEDERAL-STATE JOINT BOARD STAFF RELEASES MONITORING REPORT

Comprehensive Report Tracks Trends Related to Universal Service

Washington, D.C. – The staff of the Federal-State Joint Board on universal service has released its most recent Monitoring Report on Universal Service. This report reflects information on the telephone industry filed with the Federal Communications Commission (FCC) through May 2003.

The report released today addresses the various universal service support mechanisms, which amounted to over $5 billion in 2002. In 2002, disbursements among the four categories of universal service mechanisms were: 57.1% for high-cost support; 29.7% for schools and libraries support; 12.9% for low-income support; and 0.3% for rural health care support. The report presents data in eleven categories:

1) **Industry Revenues and Contributions** – Total industry revenues for telecommunications services provided to end users in 2002 were about $232 billion, compared to about $236 billion in 2001. Revenues for fixed local service providers increased slightly to $90 billion from $88 billion, while for wireless service providers they increased to $77 billion from $69 billion, and for toll service providers they decreased to $65 billion from $79 billion.

2) **Low-Income Support** – Total low-income support increased from about $590 million in 2001 to about $673 million in 2002.

3) **High-Cost Support** – In 2002, total high-cost support amounted to nearly $3.0 billion, an increase from nearly $2.6 billion in 2001. This increase is primarily due to the implementation of the new interstate common line support mechanism, which began in July 2002.

4) **Schools and Libraries Support** – Schools and libraries are making substantial use of their available support, with disbursements remaining at about $1.6 billion and commitments remaining at about $2.2 billion for the latest school years.

5) **Rural Health Care Support** – The demand for rural health care support has remained at a modest level, with disbursements of about $16.5 million for the fourth year of the program (July 2001 - June 2002), up from $10.3 million in the prior year.

No. of Copies rec'd 0+4
List A B C D E

Table 1.3
Telecommunications Revenues Reported by Type of Carrier
(Dollar Amounts Shown in Millions)

	TRS Worksheet Data					Universal Service & TRS Data		FCC Form 499-A Data			499-Q Preliminary
Service Provider Category 1/	**1992**	**1993**	**1994**	**1995**	**1996**	**1997**	**1998**	**1999**	**2000**	**2001**	**2002 4/**
Incumbent Local Exchange Carriers 2/	$91,584	$95,228	$98,431	$102,820	$107,905	$105,154	$108,234	$112,216	$116,158	$117,885	$109,517
Competitive Access Providers (CAPs) and Competitive Local Exchange Carriers (CLECs)	69	191	281	623	1,011	1,919	3,348	5,652	9,814	12,998	16,603
Local Resellers						206	410	511	879	1,393	1,488
Other Local Exchange Carriers						157	36	171	11	329	356
Private Carriers						112	147	87	39	15	27
Shared-Tenant Service Providers						87	93	87	202	46	39
Competitors of ILECs	69	191	281	623	1,011	2,481	4,034	6,508	10,945	14,781	18,512
Fixed Local Service Providers	91,835	95,595	99,011	103,792	109,273	107,634	112,268	118,725	127,103	132,666	128,030
Payphone Providers	183	175	300	349	357	933	1,101	1,213	972	836	201
Wireless Telephony Including Cellular, Personal Communications Service (PCS) and SMR Telephony Carriers 2/	6,718	9,215	13,259	17,208	23,778	29,944	33,139	46,513	59,823	71,887	81,948
Paging & Messaging Service 2/						2,861	3,161	3,232	3,102	2,197	1,215
Specialized Mobile Radio (SMR) Dispatch								186	191		211
Wireless Data Service Providers								63	36	214	217
Other Mobile Service Providers	670	964	938	1,419	2,121	225	731	159	128	110	361
Wireless Service Providers	7,387	10,179	14,197	18,627	25,900	33,030	37,032	50,152	63,280	74,596	83,952
Interexchange Carriers (IXCs)	57,341	61,118	66,381	70,938	79,057	79,080	83,443	87,570	87,311	81,272	69,905
Operator Service Providers (OSPs)	558	695	536	500	461	603	590	337	635	611	564
Prepaid Calling Card Providers				16	238	519	888	866	727	133	72
Satellite Service Providers						1,011	475	280	336	373	381
Toll Resellers	1,293	1,869	2,840	4,220	6,564	8,010	9,885	9,211	10,641	8,797	9,073
Other Toll Carriers	2,186	711	709	773	577	348	710	150	1,758	2,516	2,189
Toll Service Providers	61,378	64,393	70,466	76,447	86,896	89,570	95,992	98,414	101,407	93,702	82,184
Non-Telecommunications Revenues in Prior Year Data 2/	(6,944)	(7,518)	(8,324)	(9,071)	(10,474)						
Other Adjustments 3/	(248)	2,693	(461)	280	187	0	0	0	0	0	0
Total Telecommunications Revenues	$153,409	$165,342	$174,890	$190,076	$211,782	$231,168	$246,392	$268,505	$292,762	$301,799	$294,367

1/ Filers are asked to select for themselves a service provider category that best describes their operations The choices have changed over the years For example, most satellite service providers identified themselves as other toll carriers in their 1997 FCC Form 431 TRS worksheets because there was no separate category for satellite service providers

2/ Significant amounts of enhanced service, billing and collection, CPE and other non-telecommunications revenues were reported on TRS worksheets by incumbent local exchange carriers (ILECs) and wireless carriers through 1996 Universal Service Worksheet filers report these revenues in the non-telecommunications category For prior years, the amounts of non-telecommunications revenues reported as mobile and other local revenues were estimated as 70% of the amounts that Tier 1 ILECs reported in ARMIS as miscellaneous and nonregulated revenues (currently account 5200 + account 5280) and 10% of amounts reported as mobile service revenues

3/ Other adjustments include some amounts withheld to preserve confidentiality and revisions made after the initial publication of the data

4/ Preliminary 2002 data were taken from FCC Form 499-Q filings As a result, the totals do not include toll revenues for calls that both originate and terminate in foreign points In addition, the totals do not include revenues for most entities that are exempt from contributing to universal service support mechanisms The quarterly rollups, however, may include some revenues that have been estimated by the filers or by the Data Collection Agent or that were not categorized properly For 2001, the FCC Form 499-A filings included about a billion dollars more revenue than did the roll-ups of the quarterly filings, representing a 0 3% variance Variances by carrier type were greater

Source Industry Analysis and Technology Division, Wireline Competition Bureau, *Telecommunications Industry Revenues* (March 2003)

UNIVERSAL SERVICE

MONITORING REPORT

CC DOCKET NO. 98-202

2003

(Data Received Through May 2003)

Prepared by Federal and State Staff for the

Federal-State Joint Board on Universal Service in

CC Docket No. 96-45

This report is available for reference in the FCC's Reference Information Center, Courtyard Level, 445 12th Street SW, Washington, DC 20554 Call Qualex International at (202) 863-2893 to purchase a copy The report can also be downloaded from the **FCC-State Link** Internet site at <www fcc.gov/wcb/iatd/stats.html> It is available in print image (pdf) files and compressed (zip) files in word processor (MS Word) and spreadsheet (MS Excel or Lotus 123 .wk4) formats.

Notes for Table 1.2.

Note Detail may not add to totals due to rounding Some data for prior years have been revised

1/ TRS filers generally reported pay telephone revenues as local service revenues, access revenues or operator toll revenues The Universal Service and FCC Form 499-A worksheets contain a separate category for payphone coin revenues Starting in 1997, payphone revenues include payphone compensation received from toll carriers

2/ TRS Worksheet filers generally reported special access revenues as access revenues Reporting changes implemented with the Universal Service Worksheet explain the increase in local private line revenues and the fall in access revenues shown for 1997 TRS Worksheet filers included subscriber line charges with other access charges Universal Service Worksheet filers report subscriber line charges in a separate category. The increase from 1997 to 1998 represents PICC charges levied by ILECs as well as $1 2 billion of PICC pass-through charges levied by toll carriers

3/ Significant amounts of enhanced services, billing and collection, CPE and other non-telecommunications revenues were reported in the TRS mobile and other local service categories through 1996 Universal Service Worksheet filers report these revenues in the non-telecommunications category For prior years, the amounts of non-telecommunications revenues reported as mobile and other local revenues were estimated as 70% of the amounts that Tier 1 ILECs reported in ARMIS as miscellaneous and nonregulated revenues (currently account 5200 + account 5280) and 10% of amounts reported as mobile service revenue

4/ Charges on end-user bills identified as recovering state or federal universal service contributions are reported separately from local, wireless and toll revenues Reported amounts are apportioned between local, wireless and toll service based on the proportions of local, wireless and toll intrastate and interstate revenues by type of carrier

Source Industry Analysis and Technology Division, Wireline Competition Bureau, *Telecommunications Industry Revenues* (March 2003) Data for 1992 through 1996 summarized from FCC Form 431 TRS Worksheets. Data for 1997 and 1998 primarily based on FCC Form 457 Universal Service Worksheets, with data from 1997 TRS Worksheets used for service providers not required to file a Universal Service Worksheet Starting in 1999, data summarized from FCC Form 499-A Telecommunications Reporting Worksheets, which replaced both FCC Form 431 and FCC Form 457

Table of Contents

Table 1.1
Total Telecommunications Industry Revenues: 2001
(Dollar Amounts Shown in Millions)

	Carrier's Carrier Revenues 2/	End-User Revenues 1/ 2/	Total
Local Service 3/	$40,108	$87,704	$127,812
Wireless Service	6,180	68,507	74,687
Toll Service	19,999	79,302	99,301
Total	66,287	235,513	301,800
Service Revenues Reported as:			
Intrastate	27,848	155,347	183,195
Interstate and International 4/	38,439	80,165	118,605
Total	$66,287	$235,513	$301,800

Note: Detail may not add to totals due to rounding.

1/ Data include revenues for *de minimis* filers as well as for other filers who are exempt from universal service contribution requirements.

2/ Carrier's carrier revenues are reported on FCC Form 499-A as sales to other universal service contributors for resale. This includes, for example, access services that local exchange carriers provide to toll carriers. Sales to *de minimis* resellers, end-user customers, governments, non-profits and any other non-contributors are treated as end-user revenues. Filers contribute to the universal service funding mechanisms based on their end-user revenues. This table excludes non-telecommunications revenues.

3/ Payphone revenues are included with local service revenues in this table. Tables 1.5 through 1.8 show detail for payphone providers and payphone services.

4/ Revenues from calls that both originate and terminate in foreign points are reported as end-user revenues, but are not included in the universal service contribution base. Tables 1.5 through 1.8 show breakouts between interstate and international revenues based on FCC Form 499-A filings. Section 43.61 international traffic data reports appear to provide more reliable data for international revenues but do not provide the type of breakouts found herein

Source: Industry Analysis and Technology Division, Wireline Competition Bureau, *Telecommunications Industry Revenues* (March 2003).

Index of Tables and Charts

Communications Common Carriers by the adjustment factor in Table 1.17.

Primary residential and single-line business lines SLC rates per month, shown in Column 4 are the weighted average of rates filed in the Tariff Review Plan (TRP) for price-cap carriers from the July 2000 and July 2001 filings and from NECA pool and rate-of-return carriers.[28] Non-primary SLC revenues per line per month for price-cap companies, shown in Column 5, are the weighted average of rates filed in the TRPs from the July of 2000 and July of 2001 filings. Multiline business SLC rates per line per month in each state, shown in Column 6, are estimated based on the rates in the July 2000 and July 2001 TRP filings for price-cap companies and from NECA pool and rate-of-return carriers.[29]

Revenues used for allocating SLC revenues by state are determined by the following formula: 12 * [primary residential and single-line business SLC per line per month * (primary residential lines and single-line business lines) + multiline business SLC per line per month * (multiline business lines) + non-primary lines * non-primary SLC per line per month]. Allocation percentage in each state is the ratio of the state's allocation revenues to nationwide revenues. SLC revenues are determined by multiplying the allocation factor by the type of revenues. (See Table 1.14.)

In Table 1.22, interstate access revenues and private line revenues are allocated on a state-by-state basis based on net access revenues. Gross access revenues for allocation are the product of interstate access revenues from Table 2.10 of the 2001/2002 *Statistics of Communications Common Carriers* and the adjustment formula presented in Table 1.17. Revenues for allocation are the difference between gross access revenues for allocation and subscriber line charge revenues. Allocation percentages in each state are the ratio of the state's allocation revenues to nationwide revenues. Access revenues by type are determined by multiplying the allocation factors by the type of revenues. (See Table 1.14.)

In Table 1.23, intrastate access revenues are allocated between states based on intrastate access revenues from Table 2.10 of the 2001/2002 *Statistics of Communications Common Carriers.* Intrastate access revenues for allocation are the product of these access revenues and the adjustment formula in Table 1.17. Allocation percentage in each state is the ratio of the state's allocation revenues to nationwide revenues. Access revenues by type are determined by multiplying the allocation factor by the type of revenues. (See Table 1.14.)

Table 1.24 shows ILEC toll revenues of large ILECs reported in Table 2.10 of the *Statistics*

---

28 Carrier USF loop counts are used as weights. We assume that the residential SLC for NECA pool and rate of return carriers during the relevant time period was $3.50.

29 The rates of NECA pool carriers and rate-of-return carriers are assumed to be $6.00 per month per line.

Index of Tables and Charts

charge (SLC) revenues. CLEC revenues are estimated on a state-by-state basis using data from FCC Form 477, and mobile wireless using data from FCC Form 502.

Table 1.15 shows intrastate carrier's carrier, end-user and total telecommunication revenues by category for ILECs' local exchange service, CLECs, wireless, access, ILEC toll, and non-ILEC toll.[22] Components of interstate carrier's carrier, end-user and total telecommunications revenues are presented in Table 1.16. These components include ILECs, CLECs, wireless, SLCs, access, and toll.[23]

Data from the 2001/2002 *Statistics of Communications Common Carriers* are adjusted prior to allocating nationwide revenues to the states. Data compiled in the *Statistics of Communications Common Carriers* include those incumbent local exchange carriers (ILECs) with annual operating revenues over $117 million for 2000. The *Statistics of Communications Common Carriers* revenue data represent approximately 93 percent of the local telephone industry based on USF loops. Here, data from the *Statistics of Communications Common Carriers* are expanded to include the entire ILEC industry based on USF loops. Column 1 of Table 1.17 shows USF loops at year-end 2001. Column 2 shows the percent of the ILEC industry that is included in the tables in the *Statistics of Communications Common Carriers*. It is the average for year-end 2000 and 2001 data.[24] The adjustment formula in Column 3 is (100/Column 2).

In Table 1.18, ILECs' local exchange revenues are allocated based on local exchange service and miscellaneous revenues from Table 2.10 of the 2001/2002 *Statistics of Communications Common Carriers*. Local exchange revenues for allocation are the product of reported ILECs' local exchange service and miscellaneous revenues and the adjustment formula in Table 1.17. Allocation percentages in each state are the ratio of the state's allocation revenues to nationwide revenues. Local exchange revenues by type are determined by multiplying the allocation factor by the type of revenues. (See Table 1.14).

---

reporting requirements.

22 Estimated intrastate telephone revenues for Alaska, American Samoa, Guam, the Northern Mariana Islands, and the Virgin Islands are determined by multiplying the nationwide average intrastate telephone revenues per loop by number of loops in the jurisdiction.

23 Estimated interstate telephone revenues for Alaska, American Samoa, Guam, the Northern Mariana Islands, and the Virgin Islands are determined by multiplying the nationwide average interstate telephone revenues per access minute by number of access minutes in the jurisdiction.

24 *See* Table 5.1 of the *Statistics of Communications Common Carriers,* 2001/2002 edition, for year-end 2000 data.

Universal Service Monitoring Report
CC Docket No. 98-202
2003

Introduction and Summary

This is the seventh report in a series of reports prepared by federal and state staff members for the Federal-State Joint Board on Universal Service in CC Docket No. 96-45 (Universal Service Joint Board).[1] This report is based on information available to us as of May 2003.[2] These reports contain information designed to monitor the impact of various universal service support mechanisms, and the methods used to finance them. These mechanisms were adopted by the Federal Communications Commission (Commission), based on recommendations from the Universal Service Joint Board. These reports are part of a monitoring program created by the Commission in 1997 to replace a similar program in CC Docket No. 87-339 that resulted in a series of nineteen *Monitoring Reports.*[3] The current program incorporates most of the information that was collected under the previous program, and also new materials from the reports of the administrator of the universal service support mechanisms, the Universal Service Administrative Company (USAC). To enhance our monitoring ability, we have created an open docket,[4] which allows data, materials, comments, and studies to be submitted by any interested party at any time.

The monitoring program has proven to be valuable, not only as a report on the effects of the Commission's regulatory policies, but also as a complete census of all incumbent local exchange carriers. Because smaller carriers generally are exempt from most Commission reporting requirements, the *Monitoring Report* incorporates data from several sources, including the National Exchange Carrier Association (NECA) and USAC. USAC collects information from all eligible carriers to administer the universal service support mechanisms. NECA, at the direction of the Commission, collects information in order to administer the access charge pools and also provides information to USAC that is utilized in administering the Universal Service Fund. The *Monitoring Report*, therefore, contains the only available comprehensive data on all incumbent local exchange carriers, containing data on such matters as the number of telephone lines, calling volumes, and certain types of costs.

This report presents data for the eleven subject categories selected for monitoring. The first section provides information on the contributions to the universal service support mechanisms and industry revenues, on which those contributions are based. The next four sections provide information on the various support mechanisms: low-income support; high-cost support; schools

---

1 The last report was released on October 9, 2002. *Universal Service Monitoring Report,* CC Docket No. 98-202, October 2002 (Data Received Through April 2002), prepared by the Federal and State Staff for the Federal-State Joint Board on Universal Service in CC Docket No. 96-45.

2 In some sections, data received in June have been included.

3 *Federal-State Joint Board on Universal Service*, CC Docket No. 96-45, *Report and Order*, FCC 97-157, para. 869 (released May 8, 1997).

4 CC Docket No. 98-202.

project the amount of end-user revenues that they will collect from their customers in the upcoming quarter. This amount is then adjusted to eliminate circularity. The details are explained fully in the Order.[15] Starting with the second quarter of 2003, the "Circularity Adjustment" amounts shown in Table 1.10 (discussed in more detail below) reflect expected USF contributions for the quarter rather than the industry's actual contributions from a prior quarter.

Table 1.10 shows the program funding requirements for 2002 and the first half of 2003. For each program and for each quarter, the table lists projected program demand, administrative costs, interest income, and periodic true-ups. The table also shows the revenue base and contribution factors for each quarter. As discussed above, the Commission started using a "Circularity Adjustment" in the third quarter of 2002, and deducts that amount from the contribution base. The Commission then reduces the subtotal by 1% to reflect the fact that some contribution assessments may prove uncollectible.

Table 1.11 shows universal service disbursements on a mechanism-by-mechanism basis for 2002.[16] The schools and libraries mechanism and the rural health care mechanism operate on a school-year basis rather than a calendar-year basis, so for the purposes of Table 1.11, Funding Year 2001 (July 1, 2001 through June 30, 2002) disbursements were used for these two mechanisms. For these two mechanisms, the bulk of Funding Year 2001 disbursements were made in calendar year 2002. Chart 1.1 shows the same information graphically.

Table 1.12 shows, on a state-by-state basis, the total amount of funding disbursements for each of the universal service mechanisms, estimated contributions towards universal service, and the net estimated dollar flow (disbursements less estimated contributions).[17] This table represents an aggregation of the information in Tables 2.13, 3.22, 4.5b, and 5.3b.

---

15 *See Federal-State Joint Board on Universal Service, 1998 Biennial Regulatory Review - Streamlined Contributor Reporting Requirements Associated with Administration of Telecommunications Relay Service, North American Numbering Plan, Local Number Portability, and Universal Service Support Mechanisms, Telecommunications Services for Individuals with Hearing and Speech Disabilities, and the Americans with Disabilities Act of 1990, Administration of the North American Numbering Plan and North American Numbering Plan Cost Recovery Contribution Factor and Fund Size, Number Resource Optimization, Telephone Number Portability, Truth-in-Billing and Billing Format*, CC Docket Nos. 96-45, 98-171, 90-571, 92-237, 99-200, 95-116, 98-170, Report and Order and Second Further Notice of Proposed Rulemaking, 17 FCC Rcd 24952 (2002).

16 Figures in Table 1.11 are lower than those in Table 1.10 due to the difference between projected demand and actual disbursements.

17 For a discussion of the methodology used to estimate contributions per state, see the Technical Appendix below and Table 1.13.

Low-Income Support:	Larry Povich (Federal) (202) 418-0953 Suzanne Mendez (Federal) (202) 418-0941 Philip McClelland (Pennsylvania) (717) 783-5048 Charles Bolle (Nevada) (775) 687-6070
High-Cost Support:	Alex Belinfante (Federal) (202) 418-0944 Jim Eisner (Federal) (202) 418-7302 Carl Johnson (New York) (518) 486-2832 Michael Lee (Montana) (406) 444-6185 Joel Shifman (Maine) (207) 287-1381
Schools and Libraries Support:	Craig Stroup (Federal) (202) 418-0989 Jennifer Gilmore (Indiana) (317) 232-2785 Peter Pescosolido (Connecticut) (860) 827-2616
Rural Health Care Support:	Craig Stroup (Federal) (202) 418-0989 Peter Bluhm (Vermont) (802) 828-2358
Subscribership and Penetration:	Alex Belinfante (Federal) (202) 418-0944 Earl Poucher (Florida) (850) 487-8242
Rates and Price Indices:	Paul Zimmerman (Federal) (202) 418-7285 Joel Shifman (Maine) (207) 287-1381 David Dowds (Florida) (850) 413-6542
Network Usage and Growth:	Paul Zimmerman (Federal) (202) 418-7285 Mary Newmeyer (Alabama) (334) 242-2968
Quality of Service:	Jonathan Kraushaar (Federal) (202) 418-0947 Earl Poucher (Florida) (850) 487-8242 Larry Stevens (Iowa) (515) 281-4725 Brad Ramsay (NARUC) (202) 898-2207
Infrastructure:	Jonathan Kraushaar (Federal) (202) 418-0947 Lori Kenyon (Alaska) (907) 263-2123
Revenues, Expenses, and Investment:	Katie Rangos (Federal) (202) 418-0954 Barbara Meisenheimer (Missouri) (573) 751-5567

Table 1.4 illustrates how data from the Form 499-A are used to develop the funding base for the USF.[12] As noted above, providers are considered *de minimis* for USF purposes if their annual contribution is expected to be less than $10,000. Otherwise, only those providers that are not carriers are not required to contribute.

Revenue data for individual filers are not available to the public. However, Tables 1.5 through 1.8 present detailed industry roll-ups by type of revenue and type of filer. Table 1.5 provides a detailed breakout of revenues for each of the Form 499-A revenue categories used to report services provided to other filers for resale. Table 1.6 displays similar detail for each of the revenue categories used to report telecommunications service provided to end users. Table 1.7 combines data from Tables 1.5 and 1.6 with data on non-telecommunications revenues to develop total industry revenues. Table 1.8 provides more aggregated revenue information by type of filers. The revenue categories presented in Tables 1.5 through 1.7 are explained in the Form 499-A filing instructions.

Table 1.9 presents data from quarterly filings of FCC Form 499-Q for 2002. FCC Form 499-Q is far less detailed than Form 499-A. Because Form 499-Q filings do not include a business type, filers were categorized based on the business type selected on their Form 499-A filings. The quarterly form asks filers to identify revenues as carrier's carrier, contribution base end-user, or non-telecommunications and to indicate the interstate and international shares of each category. Unlike Form 499-A, the quarterly form does not require filers to attach revenues to the provision of specific types of services. Also, international-to-international revenues are included with non-telecommunications revenues rather than with end-user revenues. For presentation purposes, individual filer revenues were allocated between fixed local, mobile, and toll using the more detailed information collected on the 2001 Form 499-A.

The universal service rules prohibit the fund administrator from releasing company-specific information contained in Form 499-A and Form 499-Q worksheets.[13] Revenue data for individual filers are not available to the public.

Program Requirements and Contribution Factors

Carriers make payments into the universal service mechanism based on their interstate and international end-user revenues. Carriers report their revenue data to USAC, which tabulates the data, and reports it to the Commission. The Commission reviews program requirements and revenue data, and then determines the appropriate contribution factor. The Commission's Wireline Competition Bureau (formerly known as the Common Carrier Bureau) then releases a public notice stating the

---

12 *See Telecommunications Industry Revenues 2001* for a comparison with the funding bases used for TRS, NANP, and LNP.

13 47 C.F.R. §54.711(b).

Joel Shifman
Maine Public Utilities Commission
242 State Street
State House Station 18
Augusta, ME 04333-0018
joel.shifman@ state.me.us

David Dowds
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850
ddowds@psc.state.fl.us

Charles Bolle
Nevada Public Utilities Commission
1150 East Williams Street
Carson City, NV 89701-3105
cbolle@puc.state.nv.us

Michael Lee
Montana Public Service Commission
1701 Prospect Ave.
Helena, MT 59620-2601
mlee@state.mt.us

Larry Stevens
Iowa Utilities Board
350 Maple Street
Des Moines, IA 50319
larry.stevens@iub.state.ia.us

Peter Bluhm
Vermont Public Service Board
Drawer 20
112 State Street, 4th Floor
Montpelier, VT 05620-2701
pbluhm@psb.state.vt.us

Matthew Brill
Office of Commissioner Abernathy
Federal Communications Commission
445 12th Street SW, Room 8-B115D
Washington, DC 20554
matthew.brill@fcc.gov

Jeff Pursley
Nebraska Public Service Commission
300 The Atrium, 1200 N Street
P.O. Box 94927
Lincoln, NE 68509-4927
jpursley@mail.state.ne.us

Philip McClelland
Pennsylvania Office of Consumer Advocate
555 Walnut Street, 5th Floor
Harrisburg, PA 17101-1923
pmcclelland@paoca.org

Barbara Meisenheimer
Missouri Office of Public Counsel
301 West High St., Suite 250
Jefferson City, MO 65102
bmeisenheimer@ded.state.mo.us

Jennifer Gilmore
Indiana Utility Regulatory Commission
302 West Washington St., Suite E-306
Indianapolis, IN 46204
jgilmore@urc.state.in.us

Brad Ramsay
NARUC
1101 Vermont Ave. NW, Suite 200
Washington, DC 20005
ramsay@naruc.org

Lisa Zaina
Office of Commissioner Adelstein
Federal Communications Commission
445 12th Street SW, Room 8-C302
Washington, DC 20554
lisa.zaina@fcc.gov

Daniel Gonzalez
Office of Commissioner Martin
Federal Communications Commission
445 12th Street SW, Room 8-A204B
Washington, DC 20554
daniel.gonzale@fcc.gov

- Cellular, Personal Communications Service (PCS) and Specialized Mobile Radio (SMR) Wireless Telephony Service Provider
- Incumbent Local Exchange Carrier (ILEC)
- Interexchange Carrier (IXC)
- Local Reseller
- Operator Service Provider (OSP)
- Other Local Service Provider
- Other Mobile Service Provider
- Other Toll Service Provider
- Paging and Messaging Service Provider
- Payphone Provider
- Private Service Provider
- Prepaid Calling Card Provider
- Satellite Service Provider
- Shared-Tenant Service Provider
- Specialized Mobile Radio - Dispatch
- Toll Reseller
- Wireless Data Service Provider

The February 2002 499-A instructed carriers to report amounts actually billed to customers. This means that filers were required to report revenues net of discounts, but without making adjustments to reflect uncollectible revenues or international settlement payments or receipts.[10] Most filers were able to report revenues in this manner using information contained in their corporate books of account. Some service providers, however, have no business or regulatory requirements to record intrastate or international revenues separately from interstate revenues, or to use the detailed revenue categories contained in the worksheets. Many wireless providers therefore use the interim safe harbor percentages to estimate the interstate portion of their revenues.[11]

---

10 As discussed more fully below, in December 2002, the Commission made certain modifications to its contribution assessment methodology. Form 499-Q filers now file information on billed revenues for the previous quarter and projected billed revenues for the upcoming quarter. They also file projected collected revenues for the upcoming quarter. Projected collected revenues are projected billed revenues less an allowance for uncollectible revenues.

11 *See Instructions to the Telecommunications Reporting Worksheet, FCC Form 499-A* section III.C.3. available at www.fcc.gov/Forms/Form499-A/499a.pdf. In 2001 and 2002, the interim safe harbor for wireless carriers was 15%. In December 2002, the Commission raised the wireless interim safe harbor to 28.5%. Wireless carriers began reporting revenues based on the higher interim safe harbor percent on the FCC Form 499-Q due on February 1, 2003, and began contributing on this basis in April 2003.

Bryan Clopton
Telecommunications Access Policy Division
Wireline Competition Bureau
Federal Communications Commission
445 12th Street SW, Room 5-A465
Washington, DC 20554
bryan.clopton@fcc.gov

Vickie Robinson
Telecommunications Access Policy Division
Wireline Competition Bureau
Federal Communications Commission
445 12th Street SW, Room 5-B552
Washington, DC 20554
vickie.robinson@fcc.gov

Cara Voth
Telecommunications Access Policy Division
Wireline Competition Bureau
Federal Communications Commission
445 12th Street SW, Room 5-A640
Washington, DC 20554
cara.voth@fcc.gov

Elizabeth Yockus Mumaw
Telecommunications Access Policy Division
Wireline Competition Bureau
Federal Communications Commission
445 12th Street SW, Room 5-C264
Washington, DC 20554
elizabeth.mumaw@fcc.gov

OTHER FEDERAL STAFF

Alex Belinfante
Industry Analysis & Technology Division
Wireline Competition Bureau
Federal Communications Commission
445 12th Street SW, Room 6-A132
Washington, DC 20554
alex.belinfante@fcc.gov

Alan Feldman, Acting Chief
Industry Analysis & Technology Division
Wireline Competition Bureau
Federal Communications Commission
445 12th Street SW, Room 6-A223
Washington, DC 20554
alan.feldman@fcc.gov

Jonathan Kraushaar
Industry Analysis & Technology Division
Wireline Competition Bureau
Federal Communications Commission
445 12th Street SW, Room 6-A262
Washington, DC 20554
jonathan.kraushaar@fcc.gov

Jim Lande
Industry Analysis & Technology Division
Wireline Competition Bureau
Federal Communications Commission
445 12th Street SW, Room 6-A134
Washington, DC 20554
jim.lande@fcc.gov

Suzanne Mendez
Industry Analysis & Technology Division
Wireline Competition Bureau
Federal Communications Commission
445 12th Street SW, Room 6-A100
Washington, DC 20554
suzanne.mendez@fcc.gov

Larry Povich
Industry Analysis & Technology Division
Wireline Competition Bureau
Federal Communications Commission
445 12th Street SW, Room 6-A130
Washington, DC 20554
larry.povich@fcc.gov

Katie Rangos
Industry Analysis & Technology Division
Wireline Competition Bureau
Federal Communications Commission
445 12th Street SW, Room 6-A162
Washington, DC 20554
katie.rangos@fcc.gov

Jim Eisner
Industry Analysis & Technology Division
Wireline Competition Bureau
Federal Communications Commission
445 12th Street SW, Room 6-A102
Washington, DC 20554
james.eisner@fcc.gov

1. Industry Revenues and Contributions

This section provides a general overview of the revenues of the U.S. telecommunications industry, and the contributions to the universal service support mechanisms that are based on these revenues.[1] Most of the data for 2001 are taken from filings of annual Telecommunications Reporting Worksheets (FCC Form 499-A) made with the Universal Service Administrative Company (USAC) on April 1, 2002.[2] Revenue data collected on these worksheets are utilized in the Commission's administration of the universal service fund (USF). Form 499-A data are also used for the Telecommunications Relay Service (TRS), North American Numbering Plan (NANP) and local number portability (LNP) programs, and used to calculate common carrier regulatory fees.[3] Data presented for 2002 are taken from May 1, 2002, August 1, 2002, November 1, 2002, and February 1, 2003 filings with USAC of quarterly Telecommunications Reporting Worksheets (FCC Form 499-Q).

Revenue Information

Universal service requirements include several mechanisms that help ensure that all Americans have access to affordable telecommunications service. In section 254(d) of the Telecommunications Act of 1996,[4] Congress mandated that "[e]very telecommunications carrier that provides interstate telecommunications services shall contribute, on an equitable and nondiscriminatory basis, to the specific, predictable, and sufficient mechanisms established by the Commission to preserve and advance universal service." The Commission implemented this mandate in a 1997 *Report and Order*.[5] The Commission subsequently selected USAC as the administrator of the universal service support mechanisms. Telecommunications providers currently file FCC Form

---

1 Portions of this section are based on Industry Analysis and Technology Division, Wireline Competition Bureau, Federal Communications Commission, *Telecommunications Industry Revenues 2001* (March 2003).

2 These filings are subject to subsequent revisions and are not made available to the Federal Communications Commission until several months later, after most of those revisions are made.

3 Much of the information filed on FCC Form 499-A is proprietary. Publicly available information on individual carriers is contained in Industry Analysis and Technology Division, Wireline Competition Bureau, Federal Communications Commission, *Telecommunications Provider Locator* (February 2003). See also <gullfoss2.fcc.gov/cib/form499/499a.cfm>.

4 Pub. L. No. 104-104, 110 Stat. 56 *codified* at 47 U.S.C. §§ 151 *et seq.*

5 *See Federal-State Joint Board on Universal Service*, CC Docket No. 96-45, Report and Order, 12 FCC Rcd 8776 (1997) (subsequent history omitted).

of Communications Common Carriers, and ILEC intrastate toll revenues.[30] ILEC intrastate toll revenues are the product of ILEC reported revenues and the adjustment formula in Table 1.17.

Table 1.25 shows how non-LECs' intrastate toll revenues are allocated between states based on intrastate access minutes and intrastate access revenues.[31] Non-LEC toll is the difference between intrastate toll revenues and LEC toll revenues.[32] Intrastate toll revenues are reported in Table 1.14, and LEC toll revenues are reported in Table 1.24. Column 1 shows access minutes for allocation. Access minutes for allocation are the product of intrastate-interLATA access minutes from Table 2.5 of the 2001/2002 *Statistics of Communications Common Carriers* and the adjustment formula in Table 1.17. Column 2 shows each state's percentage of intrastate access minutes. Column 3 shows each state's percentage of intrastate access revenues.[33] The allocation percentages for non-LECs' intrastate toll revenues, presented in Column 4, are (75% * Column 2) + (25% * Column 3). Intrastate toll revenues by type presented in Columns 5 and 6 are determined by multiplying the allocation percentage by the type of revenues.

In Table 1.26, interstate toll revenues are allocated on a per state basis by interstate access minutes. Interstate access minutes are from Table 8.6. The allocation percentages are each state's percentage of interstate access minutes. Interstate toll revenues by type presented are determined by multiplying the allocation percentage by the type of revenues. (See Table 1.14.)

---

30 ILECs' toll revenues are assumed to be intrastate revenues.

31 Intrastate access revenues are a proxy for intrastate toll rates.

32 We assume that all LEC toll revenues are end-user revenues.

33 Intrastate access revenues are reported in Table 1.23. Non-LEC toll is the difference between intrastate toll revenues and LEC toll. LEC toll is assumed to be end-user toll. Intrastate toll revenues are reported in Table 1.14 and LEC toll in Table 1.24.

In Table 1.19, we allocate interstate and intrastate CLEC revenues on a state-by-state basis by multiplying national revenues (See Table 1.14) by an allocation percentage. For those states with publicly available data on CLEC lines that exceed 100,000, the allocation percentage is determined by dividing the number of CLEC lines as reported in FCC Form 477 by nationwide CLEC lines.[25] It is more difficult to determine the allocation percentage for the other states. For these states, the allocation percentage is the product of the following two percentages: 1) the percentage of nationwide CLEC lines that are in states in which CLEC line totals are not publicly available or have fewer than 100,000 CLEC lines, and 2) the ratio of Regional Bell Operating Company (RBOC) resold lines and UNE loops in the state as compared to RBOC resold lines and UNE loops in all states in which CLEC lines are not reported or have fewer than 100,000 CLEC lines reported.[26]

In Table 1.20, we allocate interstate and intrastate mobile wireless revenues on a state-by-state basis by multiplying national revenues (See Table 1.14) by an allocation percentage. The allocation percentage is determined by dividing the number of wireless numbers in a state using data from FCC Form 502 (Numbering Resources Utilization/Forecasting) by nationwide wireless numbers.

SLC revenues are allocated by state in Table 1.21. The sum of residential non-lifeline lines (including both primary and non-primary lines) and single-line business lines are estimated by multiplying residential non-lifeline lines and single-line business lines from Table 2.16 of the 2001/2002 *Statistics of Communications Common Carriers* by the adjustment factor from Table 1.17. Column 1 shows primary residential lines and single-line business lines which is the difference between total residential and single-line business lines, and non-primary lines. Non-primary residential lines are estimated by multiplying the percentage of non-primary lines by the sum of residential non-lifeline lines and single-line business lines reported in Table 2.16 of the *Statistics of Communications Common Carriers.*[27] Multiline business lines (Column 3) are estimated for the industry by multiplying the number of lines in Table 2.16 of the *Statistics of*

---

25 *See* <http://www.fcc.gov/wcb/iatd/comp.html> for CLEC lines as of June 2001.

26 *See* <http://www.fcc.gov/wcb/iatd/comp.html> for RBOC data on resold lines and UNE loops as of June 2001.

27 Carriers that are not subject to price-cap regulation charge the same rate for a customer's first line as they do for additional lines. Staff estimated the percentage of non-lifeline residential and single-line business lines that are charged the non-primary access rates based on data that the Commission receives from access filings from price-cap carriers. Our estimates of non-primary lines are computed using data from the Tariff Review Plan (TRP). Thus, our estimates assume that the percent of BellSouth's non-primary lines are the same in each of its states.

Technical Appendix

Carrier revenue information is not reported on a state-by-state basis. Therefore, it is necessary to estimate revenues per state in order to derive contributions made per state.

The nationwide sum of contributions to support universal service is equal to the payments made from USAC to carriers for universal service mechanisms plus administration costs. Contributions on a per-state basis are computed by multiplying nationwide contributions by the ratio of interstate end-user revenues in each state to nationwide interstate end-user revenues. Estimates of interstate end-user revenues for 2001 by state are reported in Table 1.13. Each state's share of interstate end user revenues is reported in Table 1.12.[18]

The remainder of this appendix provides a detailed description on how revenues are allocated to the states. Tables 1.5 and 1.6 present nationwide data on telecommunications revenues derived from information filed on Form 499-A Telecommunications Reporting Worksheets. Nationwide (cumulative) telecommunications revenues from these tables are divided into categories. These categories are incumbent local exchange carriers' (ILECs) local exchange service revenues, CLEC revenues, subscriber line charge revenues, access revenues, mobile wireless revenues and toll revenues.[19] Table 1.14 presents telecommunication revenues for each of these categories at the nationwide level.

As set forth below, once the revenues are divided into categories, we use data from several sources to estimate each state's telecommunications revenues. Data from the *Statistics of Communication Common Carriers*[20] are used to estimate on a state-by-state basis incumbent local exchange carriers' (ILECs) local exchange service revenues, access revenues, and toll revenues.[21] Data from tariff access filings with the FCC are used to estimate subscriber line

---

18 State's share of interstate end user revenues are reported under the heading percent of total estimated contributions.

19 The notes in Table 1.14 discuss how revenues from Tables 1.5 and 1.6 are assigned to categories in Table 1.14.

20 Industry Analysis and Technology Division, Wireline Competition Bureau, *Statistics of Communications Common Carriers,* 2001/2002 edition (September 2002).

21 Revenues for Alaska, American Samoa, Guam, the Northern Mariana Islands, and the Virgin Islands are not estimated using data from the *Statistics of Communications Common Carriers* because these jurisdictions have no telephone companies subject to the FCC's Automated Reporting Management Information System (ARMIS) 43-01 and 43-08

proposed contribution factor for the upcoming quarter. If, after 14 days, the Commission takes no action regarding the proposed contribution factor, the factor becomes final.

The Commission issued orders in February 2002 and December 2002 that changed the methodology used to determine payments that carriers make into the federal universal support mechanisms. Before these changes, carriers were required to file historical revenue information each quarter, allowing the Commission to set quarterly contribution factors by simply dividing the program requirements by the contribution base (and allowing for a 1% uncollectible rate). Some carriers placed surcharges on customer bills to recover the amounts that the carriers expect to make in USF payments. These surcharges are called "pass-through" charges and revenues from these charges also are included in those carrier's contribution bases. In the past, that led a carrier's contribution requirements to be based partly on that carrier's revenues collected to pay the contribution requirements. Carriers used the term "circularity" to describe this situation. As a result of circularity and other reasons, carriers imposed markups greater than the adopted factors. To address this issue, the Commission twice changed the universal service contribution methodology.

The first change reduced each carrier's contribution base by the amount that that carrier paid into Universal Service the prior quarter.[14] The line item "Circularity Adjustment" in Table 1.10 accounts for this change, starting with the third quarter of 2002, when it was first implemented. From the third quarter of 2002 through the first quarter of 2003, the "Circularity Adjustment" represents the industry's actual contributions during the prior quarter as reported by USAC. This eliminated circularity as a reason for carriers to inflate pass-through charges.

After this first change, carriers continued to mark up pass-through charges to offset their uncollectibles from their customers that do not pay. This reflected the fact that carriers had to contribute on all billed end-user revenues, even those that they were not able to collect from customers. Also, carriers with declining revenues had to recover contributions from a smaller base than the amount used to calculate contributions. Carriers cited these as reasons for marking up the pass-through charges. In December 2002, the Commission adopted additional changes to its contribution methodology, which were fully implemented in the second quarter of 2003. Carriers now

---

14 *See Federal-State Joint Board on Universal Service, 1998 Biennial Regulatory Review - Streamlined Contributor Reporting Requirements Associated with Administration of Telecommunications Relay Service, North American Numbering Plan, Local Number Portability, and Universal Service Support Mechanisms, Telecommunications Services for Individuals with Hearing and Speech Disabilities, and the Americans with Disabilities Act of 1990. Administration of the North American Numbering Plan and North American Numbering Plan Cost Recovery Contribution Factor and Fund Size, Number Resource Optimization, Telephone Number Portability, Truth-in-Billing and Billing Format,* CC Docket Nos. 96-45, 98-171, 90-571, 92-237, 99-200, 95-116, 98-170, Further Notice of Proposed Rulemaking and Report and Order, 17 FCC Rcd 3752 (2002).

Form 499-A filings sometimes contain mistakes. Initial examination of the data occasionally reveals carrier types, revenue amounts and/or revenues reported in service categories inconsistent with the known operations of the filer. Some corrections have been made based on supplemental filer information. Nonetheless, disaggregated data are likely to be less accurate than industry totals.

Table 1.1 shows the major components of telecommunications revenues for 2001. This table was created by simply aggregating the revenues in the major classifications designated on Form 499-A.

Tables 1.2 and 1.3 provide a look at annual industry revenues over time. Generally, Form 499-A revenue data can be tabulated in two distinct ways: by type of service provided and by type of business. Table 1.2 categorizes revenues by type of service and shows, for example, that carriers reported $74.7 billion in wireless service revenues for 2001. This total includes wireless service revenues from some carriers that are not identified as wireless carriers. In contrast, Table 1.3 shows that wireless service providers reported total revenues of $84.0 billion, including some revenues for fixed local and toll services.

Revenue data shown for 1992 through 1996 were derived from information filed on TRS worksheets. Revenue data for 1997 and 1998 were derived by combining TRS worksheet and Universal Service worksheet data. 1999 revenue data come from Form 499-A, which replaced both the TRS and Universal Service worksheets. Because of reporting changes, data for 1997 through 2001 are not entirely consistent with data for prior years. For example, special access revenues were included with other access revenues prior to 1997 but have been included with local private line services since then. Similarly, through 1996, filers reported as other local and mobile revenues substantial amounts of customer premises equipment, billing and collection, and other types of revenues that are excluded from contributions to universal service. These revenues are now reported as non-telecommunications revenues. Both tables contain estimates of non-telecommunications revenues that had been reported in prior years. Based on staff estimates, the 1996 telecommunications revenues reported on TRS Worksheets would have been $10.5 billion lower if revenues had been reported using current instructions.

Some inconsistencies exist in the 1997 - 1998 period. For example, filers were required in 1997 to include inside wiring maintenance revenues as part of local exchange revenues. In 1998, filers were instructed to report these revenues as non-telecommunications service revenues. The local exchange service revenue data in Table 1.2 would show a greater increase from 1997 to 1998 if the same reporting instructions had been used for each year.

Note also that each year, many filers erroneously report substantial amounts of switched toll revenues as other long distance revenues. The data are examined and some revenues are reclassified based on staff research. Even so, the other long distance category of Table 1.2 probably continues to contain some switched toll revenues, perhaps significant amounts in some years.

499-A (Telecommunications Reporting Worksheets, due each April) and FCC Form 499-Q (Telecommunications Reporting Worksheets, due one month after the close of each calendar quarter.)

Virtually all providers of telecommunications must file FCC Form 499-A each year.[6] Telecommunications Reporting Worksheets are not filed directly with the FCC but rather with USAC, which serves as the data collection agent. The annual worksheets were due April 1, 2002, but some providers filed late or updated their filing after that date. Information from filings received after November 15, 2002 and from filings that were incomplete has been excluded from year 2001 data.[7]

FCC Form 499-A asks each filer to report total, interstate and international revenues in two broad categories: those billed to Universal Service contributors for resale (carrier's carrier revenues); and, those billed to *de minimis* telecommunications providers and end users (end-user revenues). Filers must provide further breakdowns of local, wireless, and toll services.[8] The form also asks each filer to choose the communications business that best describes its operations:[9]

- Competitive Access Provider (CAP) or Competitive Local Exchange Carrier (CLEC)

---

6 There are certain exceptions. Providers that offer telecommunications for a fee exclusively on a non-common carrier basis are not required to file if their total annual contribution to universal service would be less than $10,000. Government entities that purchase telecommunications services in bulk on their own behalf, public safety and local government entities licensed under Subpart B of Part 90 of the Commission's rules, entities providing interstate telecommunications exclusively to government or public safety entities are not required to file. In addition, broadcasters, non-profit schools, non-profit libraries, non-profit colleges, non-profit universities and non-profit health care providers are not required to file. Finally, systems integrators that derive less than 5% of their systems integration revenues from the resale of telecommunications and entities that provide services only to themselves or to commonly owned affiliates need not file.

7 The information in Tables 1.1 through 1.8 use year 2001 data because 2002 data from Form 499-A were not yet available to us as of May 2003, the cut-off for information contained in this report.

8 Telecommunications providers are considered *de minimis* and thus are not required to contribute to universal service (or file Form 499-Q) if their annual contributions to universal service would be less than $10,000. For universal service contribution purposes, any underlying service providers treat *de minimis* firms as end users.

9 The detailed definitions of the filer categories are contained in section III.A of the *Instructions to the Telecommunications Reporting Worksheet, FCC Form 499-A* available at www.fcc.gov/Forms/Form499-A/499a.pdf.

Craig Stroup
Industry Analysis & Technology Division
Wireline Competition Bureau
Federal Communications Commission
445 12th Street SW, Room 6-A104
Washington, DC 20554
craig.stroup@fcc.gov

Paul Zimmerman
Industry Analysis & Technology Division
Wireline Competition Bureau
Federal Communications Commission
445 12th Street SW, Room 6-C162
Washington, DC 20554
paul.zimmerman@fcc.gov

Carol Mattey, Deputy Chief
Wireline Competition Bureau
Federal Communications Commission
445 12th Street SW, Room 5-C451
Washington, DC 20554
carol.mattey@fcc.gov

Eric Einhorn, Chief
Telecommunications Access Policy Division
Wireline Competition Bureau
Federal Communications Commission
445 12th Street SW, Room 5-A426
Washington, DC 20554
eric.einhorn@fcc.gov

Sharon Webber, Deputy Chief
Telecommunications Access Policy Division
Wireline Competition Bureau
Federal Communications Commission
445 12th Street SW, Room 5-A425
Washington, DC 20554
sharon.webber@fcc.gov

Diane Law Hsu, Deputy Chief
Telecommunications Access Policy Division
Wireline Competition Bureau
Federal Communications Commission
445 12th Street SW, Room 6-A360
Washington, DC 20554
diane.law-hsu@fcc.gov

Anita Cheng, Assistant Chief
Telecommunications Access Policy Division
Wireline Competition Bureau
Federal Communications Commission
445 12th Street SW, Room 5-A445
Washington, DC 20554
anita.cheng@fcc.gov

William Scher, Assistant Chief
Telecommunications Access Policy Division
Wireline Competition Bureau
Federal Communications Commission
445 12th Street SW, Room 5-B550
Washington, DC 20554
william.scher@fcc.gov

Geoff Waldau
Telecommunications Access Policy Division
Wireline Competition Bureau
Federal Communications Commission
445 12th Street SW, Room 5-B524
Washington, DC 20554
geoff.waldau@fcc.gov

Paul Garnett
Telecommunications Access Policy Division
Wireline Competition Bureau
Federal Communications Commission
445 12th Street SW, Room 5-C315
Washington, DC 20554
paul.garnett@fcc.gov

Katie King
Telecommunications Access Policy Division
Wireline Competition Bureau
Federal Communications Commission
445 12th Street SW, Room 5-B544
Washington, DC 20554
katie.king@fcc.gov

Dana Walton-Bradford
Telecommunications Access Policy Division
Wireline Competition Bureau
Federal Communications Commission
445 12th Street SW, Room 5-A314
Washington, DC 20554
dana.walton-bradford@fcc.gov

Shannon Lipp
Telecommunications Access Policy Division
Wireline Competition Bureau
Federal Communications Commission
445 12th Street SW, Room 5-A523
Washington, DC 20554
shannon.lipp@fcc.gov

Jennifer Schneider
Telecommunications Access Policy Division
Wireline Competition Bureau
Federal Communications Commission
445 12th Street SW, Room 6-C212
Washington, DC 20554
jennifer.schneider@fcc.gov

SERVICE LIST

All items filed in CC Docket No. 98-202 must be filed with the Secretary, Federal Communications Commission, 445 12th Street, SW, Room TW-B204, Washington, D.C. 20554, and the following Commissioners and staff members (e-mail addresses of staff members follow their mailing addresses):

DOCKET NO. 96-45 JOINT BOARD MEMBERS

Commissioner Kathleen Q. Abernathy
Federal Communications Commission
445 12th Street SW, Room 8-B115
Washington, DC 20554

Commissioner Jonathan S. Adelstein
Federal Communications Commission
445 12th Street SW, Room 8-C302
Washington, DC 20554

Commissioner Kevin J. Martin
Federal Communications Commission
445 12th Street SW, Room 8-A204
Washington, DC 20554

Chair G. Nannette Thompson
Regulatory Commission of Alaska
701 West 8th Ave., Suite 300
Anchorage, AK 99501-3469

Commissioner Bob Rowe
Montana Public Service Commission
1701 Prospect Ave.
P. O. Box 202601
Helena, MT 59620-2601

Honorable Billy Jack Gregg
West Virginia Consumer Advocate
723 Kanawha Boulevard, East
7th Floor, Union Building
Charleston, WV 25301

Commissioner Lila A. Jaber
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

Commissioner Thomas J. Dunleavy
New York Public Service Commission
One Penn Plaza, 8th Floor
New York, NY 10119

DOCKET NO. 96-45 FEDERAL-STATE JOINT BOARD STAFF

Greg Fogleman
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850
gfoglema@psc.state.fl.us

Earl Poucher
Florida Office of the Public Counsel
111 West Madison, Room 812
Tallahassee, FL 32399-1400
poucher.earl@leg.state.fl.us

Carl Johnson
New York Public Service Commission
3 Empire State Plaza
Albany, NY 12223-1350
caj@dps.state.ny.us

Mary Newmeyer
Alabama Public Service Commission
100 N. Union Street, Ste. 800
Montgomery, AL 36104
mnewmeyer@psc.state.al.us

Lori Kenyon
Regulatory Commission of Alaska
701 West 8th Avenue, Suite 300
Anchorage, AK 99501-3469
lorraine_kenyon@rca.state.ak.us

Peter Pescosolido
Connecticut Department of Public Utility Control
10 Franklin Square
New Britain, CT 06051
Peter.Pescosolido@po.state.ct.us

and libraries support; and rural health care support. The remaining six sections provide information on matters that might be affected by the support mechanisms: subscribership and penetration; rates and price indices; network usage and growth; quality of service; infrastructure; and revenues, expenses, and investment. The *Monitoring Report* is now published once a year.

The following are highlights of some of the material in this report. Section 1 provides an update on industry revenues and the universal service program requirements and contribution factors. Section 2 includes the latest data on the Lifeline and LinkUp America programs. Section 3 includes the most recent projected payments for all of the high-cost support mechanisms, based on the quarterly reports from USAC. It also includes information from the latest filing by NECA for the high-cost loop fund. Section 4 includes updated data on the schools and libraries support mechanism. Section 5 includes updated data on the rural health care support mechanism. Section 6 includes the most recent Census data on subscribership from the Current Population Survey. It also includes data on telephone penetration by income by state and a discussion of the impact of Lifeline programs on penetration. Section 7 includes updated Consumer Price Index and Producer Price Index data and other updated rate information. Section 8 includes the latest NECA data on access minutes, dial equipment minutes, and separations factors. Section 9 includes updated data on the quality of service from the Commission's Automated Reporting Management Information System (ARMIS) reports. Section 10 includes updated data on infrastructure from the ARMIS reports. Section 11 includes the latest information on revenues, expenses, and investment from the ARMIS reports.

This entire report is available electronically through the **FCC-State Link** Internet site, which can be reached at <www.fcc.gov/wcb/iatd/stats.html>. It is available in both page image (.pdf) format and in a compressed (.zip) format, which, when unzipped yields word processing and spreadsheet files. In addition, information received well in advance of the next *Monitoring Report* will be made available on an interim basis in separate staff reports or in raw data files (such as most NECA filings used in the *Monitoring Report*) on the **FCC-State Link** Internet site. In addition, the ARMIS data are available on the ARMIS Internet site, which can be reached at <www.fcc.gov/wcb/armis/db/>.

For ease of public reference, parties submitting materials for this docket should provide a duplicate copy to the FCC's Reference Information Center,[5] where copies of all materials filed in the docket are available for public reference.

This report has been prepared by the federal staff listed below and reviewed by the state staff listed below. These staff members can be contacted for further information:

General Information:	Alex Belinfante (Federal) (202) 418-0944 Alan Feldman (Federal) (202) 418-0943
Industry Revenues and Contributions:	Jim Lande (Federal) (202) 418-0948 Jim Eisner (Federal) (202) 418-7302 Craig Stroup (Federal) (202) 418-0989 Greg Fogleman (Florida) (850) 413-6574 Jeff Pursley (Nebraska) (402) 471-3101

5 Courtyard Level, 445 12th Street SW, Washington, DC 20554.

Index of Tables and Charts

Index of Tables and Charts

6) **Subscribership and Penetration** – The percentage of households subscribing to telephone service reached an all-time high average of 95.5% in 2002.

7) **Rates and Price Indices** – The price index of overall telephone rates increased 0.43% in 2001 (compared to the general rate of inflation of 1.6% for all goods and services).

8) **Network Usage and Growth** – Total telephone usage remained relatively stable in 2001. In 2001 there were nearly 5 trillion minutes of use, similar to the previous year.

9) **Quality of Service** – The data show noticeable differences in the quality of service among carriers. For example, complaints per million residential access lines in 2002 varied from 20 to 324.

10) **Infrastructure** –Fiber digital carrier terminations continued to exhibit growth (working channels grew from nearly 74 million in 2001 to nearly 79 million in 2002).

11) **Revenues, Expenses and Investment** – For the larger local exchange carriers in 2002, 42% percent of net income was interstate, 30% of revenues was interstate, and 28% of expenses was interstate.

A monitoring program was established in the mid-1980's, at the recommendation of the Separations Joint Board, to track trends related to universal service and related matters. Since then, Joint Board staffs have prepared Monitoring Reports at least once a year -- a compendium of hundreds of pages of statistical data on subscribership and penetration, loop costs, separations factors, universal service fund payments, etc. The report is unique in that it is the only document that includes information on every incumbent local telephone company in the nation. In 1998 the publication of this report was moved from the Separations Joint Board staff to the Universal Service Joint Board staff. This is the sixth Monitoring Report from the Universal Service Joint Board staff.

The full text of this document is available for public inspection and copying during regular business hours at the FCC Reference Information Center, Portals II, 445 12th Street, SW, Room CY-A257, Washington, DC 20554. This document may also be purchased from the Commission's duplicating contractor, Qualex International, Portals II, 445 12th Street, SW, Room CY-B402, Washington, DC 20554, telephone 202-863-2893, facsimile 202-863-2898, or via e-mail at <qualexint@aol.com>. The report may also be downloaded from the **FCC-State Link** Internet site, which can be reached at <www.fcc.gov/wcb/iatd/stats.html>. It is available in both page image (.pdf) format and in a compressed (.zip) format, which, when unzipped yields text and spreadsheet files.

-FCC-

Wireline Competition Bureau contact: Alexander Belinfante at (202) 418-0944; TTY (202) 418-0484.

CC Docket No. 98-202